



Remarks For

The Hon. Steven C. Preston
Administrator
U.S. Small Business Administration

Delivered At The

**NATIONAL ASSOCIATION OF STATE DIRECTORS OF
VETERANS AFFAIRS MID-WINTER CONFERENCE**

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Thank you John for that introduction.

As I was thinking about what you all do and how we might work together,
there were a few observations that came to me.

Because, our organizations actually have a number things in common and
a great opportunity to collaborate.

First, we are both part of large, geographically dispersed organizations that serve the needs of individual Americans directly and indirectly in very tangible ways, every day. I believe there is a particular honor in serving others. You all understand this better than anyone, because most of you protected our country through your service and now you dedicate yourselves professionally to others who have served similarly, ensuring that they have access to critical support—support in many cases needed to rehabilitate themselves following injuries sustained in combat.

Finally, the services we provide will increasingly be directed to support our veterans who want to take their energies, their passions and the fine skills they have built during their service, and pour them into creating and growing a new business.

The spirit of entrepreneurship and small business ownership is an essential part of our nation's DNA. Small businesses drive innovation that keeps our country competitive, provide opportunity to millions of Americans who may not find it elsewhere and enable transformation in communities that need economic revitalization. There have been more than seven million new American jobs created in just over three years, more than all the other industrialized nations combined helping to reduce our unemployment rate to 4.5 percent, below the average rates of the past four decades. Two-thirds were created by small business.

The Small Business Administration has helped many of our Nation's best known companies, and therefore some of our strongest economic engines and providers of opportunity, get their start. Intel, America Online, Outback Steakhouse, Apple Computer, Amgen, Ben & Jerry's, Callaway Golf, Staples, Under Armour, and Nike are some of SBAs Hall of Famers. We also supported Vietnam Veteran Fred Smith as he started Federal Express.

Today, the Small Business Administration lends or guarantees more than \$78 billion in loans and investments, and helps small business procure a fair share of government contracts, securing a record \$80 billion in 2005.

Last year, SBA and its technical assistance partners counseled nearly 1.5 million entrepreneurs and our website received 26 million hits. Through our Office of Advocacy, SBA has been able to begin to understand the size and potential of the veteran's small business community, and our National Ombudsman helps small business deal with unfair application of existing regulation.

We want to make sure that every veteran who has a dream of owning a business gets the support to make the right decision and to be successful, not just for them but for our the people they can employ.

Let me touch a bit more on the services we provide.

In our best known programs,:

- we guarantee bank loans to small businesses for working capital, infrastructure, equipment and facilities development purchase; there are 7,000 banks in our network and, therefore, many access points for us to serve small business owners in their local communities;
- we make low-interest, long-term loans to reservists whose businesses have suffered because of their absence during their time of service
- we provide capital to equity funds that invest in small business;
- help deliver micro loans to very small and start-up businesses, where the average loan size is under \$35,000.

Because of our support, these programs enable banks and equity investors to stretch farther in providing capital to small businesses that may not have access to it otherwise. Although the government funds the agency's operational costs, these programs are otherwise self-funding.

SBA's total credit portfolio, as I mentioned a moment ago, has grown to a total of \$78 billion, up 56 percent since 2001. The number of loans we back has doubled. More than 32 percent of all SBA-approved loans last year went to minority borrowers. In fact, the number of loans approved for

African Americans, Hispanics, and Asian Americans all rose to record levels.

Nonetheless, we don't think our penetration is where it should be, so we are working internally and with our banks to determine if there is a loan product that will increase our penetration into the veterans market. We need to find a product that both works for the small businesses who need the capital and for the banks that distribute that capital.

Another SBA core mission is to help small businesses get federal contracts. We are not doing it only as a matter of fairness; it's also a matter of competitiveness. Small businesses perform well as suppliers of goods and services.

Their size makes them flexible, innovative, and often cheaper than large companies. It does, however, take a bit more effort to find the right small business to fit the right contracting opportunity.

In 2005, the last year for which data is available, small businesses secured almost \$80 billion in prime contracts, from agencies and departments across the federal government.

Part of our role is to work with federal agencies to achieve federally mandated targets, not only for small business overall, but for groups

designated within your communities, including Service Disabled Veterans, as well as 8(a) firms, SDBs, , HUBZone, and Women.

Under President Bush's Executive Order 13360, the SBA is responsible for helping other federal agencies meet the requirement to award 3 percent of their contracts to service-disabled veteran-owned small businesses (SDVOSB). Our research show that under 1% of small businesses are owned by service disable vets, and that the businesses that are registered with the federal government tend to be smaller. That means we all have some work to do in recruiting more of these businesses and finding the ones that are ready to sell to the government.

Both SBA and the Department of Veterans Affairs are leading by example: both agencies exceeded our 3 percent goal in FY06.

And although we are not seeing the same level of percentage at most of the other Federal Agencies; we are seeing substantial progress: from FY04 to FY05, the most recent years for which data is available for all federal agencies, federal contracting with SDVOSBs increased 58 percent to \$1.9 billion, and we are hoping to see additional progress when the 2006 numbers from other agencies are tallied.

And last month the General Services Administration announced contract awards to more than 40 SDVOSBs, with a potential value of \$5 billion over the life of the contracts.

In January, I, along with the head of the White House's Office of Federal Procurement Policy sent a joint letter to the heads of other federal agencies, reaffirming our commitment to the 3 percent goal across government. In addition, we are instituting a small business performance scorecard for 24 federal agencies and their performance on veterans goals will be a factor.

Through a network of over 13,000 counselors that we help fund in Small Business Development Centers, Womens Business Centers and through a volunteer network called SCORE, as well as our district offices, we counseled 1.5 million people last year on small business issues.

Sometimes, we meet with people to help them decide if small business ownership is right for them. Other times, we are helping them get a business launched or through a critical period. We offer our counseling services in person or on-line and they are free.

At the SBA, we are putting a renewed focus on serving our veterans. I was especially pleased when Senator Kerry chose to focus his first hearing (January 31, 2007) as Chairman of the Senate Committee on Small Business and Entrepreneurship on veteran's issues.

Based on data from our Office of Advocacy, there are approximately 4 million veteran and service-disabled veteran small businesses in America. Approximately 9% of employed reservists are self employed small business owners.

To increase our support, SBA has increased the staff of the Veterans Business Development office by 50 percent this year and if Congress acts on our request to address the \$21 million shortfall in our operating fund we will be able to dedicate more resources to this effort this year.

In addition, I just requested a \$500,000 increase in funding for our veteran's outreach efforts in FY08.

- We have 68 veterans business development officers – within each district office
- Matchmaking events to connect small business owners with contractors
- PCR/CMR efforts with government buying activities
- Veteran Business Outreach Centers in the five states with the largest vet populations. These are California, Texas, New York, Florida and Pennsylvania.

I have ordered a review of the coordination among our contracting assistance, training, and other programs to ensure veterans' small business

needs are well served. In FY00, we guaranteed 4,800 loans to veterans, and we have grown that number to almost 8,000 this last fiscal year.

Some of the most encouraging times I have had in this job over the last six months have been during my visits to the field. In the field is where SBA employees are rolling up their sleeves every day to help small businesses get a start and grow. You all understand that, because you manage field organizations. You see the faces of the people you serve, you hear their stories, and you know the impact you are making on their lives.

It is where small business owners tell me, time and again, about how they wouldn't be in business if it weren't for our people helping them along the way. It is also where I see parts of communities that have been transformed with SBA-backed loans.

The field is where we are going to need to reach out to veterans, if we are going to be successful in supporting them along the path of business ownership. My people in the field like to remind me that when we are slow to make decisions, provide them with products or give direction, they continue to soldier on every day making a difference. And when we do make decisions back in Washington, they are the ones that ultimately carry them out and make them real to the people we serve.

I am personally committed to maximizing the availability and applicability of our services and programs for veterans in our country, and there probably hasn't been a time in decades when that availability is more relevant than today.

Every one of you has at least one SBA district office, thousands of SBA small business counselors and hundreds of SBA banks in your area. While we will be working with the VA to try on get your support in reaching veterans, don't wait for us. Be creative locally. Reach out to our district offices and local service centers if you have ideas how we can support you. Sometimes, it takes too long to get things done up top, when you all have the ability to reach people each day.